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Message Text

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ACTION XMB-04

INFO OCT-01 NEA-10 ISO-00 EB-08 COME-00 TRSE-00 OMB-01
AID-05 CIAE-00 INR-07 NSAE-00 PM-04 MC-02 DODE-00
/042 W
----------221655Z 012691 /44
R 221545Z JAN 77
FM AMEMBASSY ALGIERS
TO SECSTATE WASHDC 5780

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E.O. 11652: N/A
TAGS: EFIN, AG
SUBJECT: EXIMBANK REQUEST FOR INFORMATION: SNTR TRUCKS

REF: STATE 11013, ALGIERS 2917

1. AS STATED ALGIERS REFTEL, EMBASSY HAS BEEN IN CONTACT WITH KENWORTH ON THIS SALE AND FULLY SUPPORTS COMPANY IN ITS EFFORT GAIN LARGER SHARE OF ALGERIAN TRUCK MARKET FOR US. WE HOPE FOLLOWING PARAGRAPHS WILL MEET EXIM'S NEED FOR ADDITIONAL INFORMATION:

2. EMBASSY'S UNDERSTANDING OF PROPOSED TRANSACTION IS SAME AS GIVEN FIRST TWO PARAS STATE REFTEL, WITH FOLLOWING AMPLIFICATIONS: SALE IS FOR NINE HUNDRED TRUCKS. WHILE VALUE OF EXPORTS CORRECTLY STATED, TOTAL VALUE OF PACKAGE, INCLUDING MAINTENANCE AND TRAINING, AS WELL AS SOME FOREIGN MAKE ELEMENTS, WILL MORE CLOSELY APPROACH $100 MILLION. APPROXIMATELY THREE HUNDRED TRUCKS WILL BE USED IN TRANS-SAHARA SERVICE TO NIGER, MALI AND NORTHERN NIGERIA.

3. SNTR CURRENT FLEET IN NEIGHBORHOOD TWO AND HALF TO THREE THOUSAND TRUCKS. CURRENT REPLACEMENT
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RATE APPROACHES SEVEN HUNDRED YEAR YEAR. THUS 900 DOES NOT RPT NOT SEEM LIKE OVERLY LARGE NUMBER OF TRUCKS FOR SNTR BY BUYING, SINCE IT REPRESENTS NET INCREASE OF SOMETHING MORE THAN 200 TRUCKS TO SUPPORT NEW SERVICE REQUING 300 TRUCKS PLUS GREATLY INCREASED DEMANDS FROM OTHER STATE CORPORTATIONS. IN LATTER CONNECTION WE POINT OUT THAT ONE OF MAJOR

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FRUSTRATIONS SUFFERED BY AMERICAN FIRMS ENGAGED IN
PROJECTS IN ALGERIA IS FACT THAT THEY REQUIRED
DEPEND ON SNTR FOR ALL TRUCKING NEEDS, AND SNTR OFTEN
SIMPLY DOES NOT HAVE SUFFICIENT TRUCKS TO MEET
REQUIREMENTS, ESPECIALLY ON TIME. THIS OFTEN CITED
(AFTER CUSTOMS DELAYS) BY AMERICAN FIRMS ACTIVE IN
ALGERIA AS MAJOR REASON FOR PROJECT DELAYS. SONATRACH
ESPECIALLY HAS BEEN DRIVEN TO DISTRACTION BY SNTR'S
INABILITY PROVIDE SUPPORT WHEN AND WHERE NEEDED. WE
SUSPECT SONATRACH'S IRE ONE REASON SNTR ABLE GET
AUTHORIZATION INCREASE FLEET.

4. IT PROBABLY GOES WITHOUT SAYING THAT SNTR MAINTENANCE
FACILITIES, TRAINED DRIVERS, SCHEDULING TALENTS,
MECHANICS AND OTHER RESOURCES ARE INADEQUATE. THIS CAN
BE SEEN FROM HIGH TRUCK REPLACEMENT RATE CITED ABOVE.
ADDITONAL OBSERVATIONS SEEM APPROPRIATE, HOWEVER:

A. FIRST, AND PERHAPS FOREMENT, SNTR IS THE
ONLY GAME IN TOWN.

B. SECOND, SNTR HAS DEVELOPED AND IS EXPANDING
SYSTEMS AND FACILITIES FOR TRAINING AND MAINTENANCE
WHICH SHOULD BEGIN BEARING FRUIT SOON. MAINTENANCE
SYSTEM IS COMPLETE FIVE-LEVEL SYSTEM VERY SIMILAR TO
THAT USED BY US ARMY (THOUGH WE SURE SIMILARITY NOT
INTENTIONAL), WITH FIVE MAJOR MAINTENANCE FACILITIES
THROUGHOUT ALGERIA (ALGIERS, ORAN, ANNABA, HASSI MESSA'OUD
AND TAMANRASSET). FACILITIES AT HASSI MESSA'OUD AND
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TAMANRASSET CURRENTLY BEING EXPANDED. DRIVER AND
MECHANICS TRAINING SCHOOL IN ALGIERS CURRENTLY
PRODUCING 12 NEW DRIVERS EVERY THREE WEEKS. SNTR
ALGREADY HAS STEPPED UP RECRUITMENT PROGRAM IN ANTICPATION
ADDITIONAL TRUCKS.

C. THIRD, KEY PART OF KENWORTH PACKAGE IS COMMITMENT
TO PROVIDE DRIVER AND MECHANIC TRAINING AND TO ASSIST
SNTR IN UPGRADING PRESENT FACILITIES, IN ADDITION TO
PROVIDING SPARE PARTS SUPPORT.

5. PERHAPS EMBASSIES BAMAKO, LAGOS AND NIAMEY IN BETTER
POSITION EVALUATE ECONOMIC VIABILITY OF TRANS-SAHARAN
ROUTE. SNTR SEEMS TO BELIEVE IT VIABLE, AND FORWARDING
AGENTS WHO (SO WE ARE TOLD) ARE RUSHING TO SIGN
CONTRACTS ALSO APPEAR TO SEE IT AS ADVANTAGEOUS. AS
EXPLAINED IN ALGIERS, THIS ROUTE HAS BECOME INCREASINGLY
ATTRACTIVE AND IMPORTANT TO SUB-SAHARAN STATES AS PORTS
SOUTH OF THE SAHARA HAVE BECOME INCREASINGLY CONGESTED.

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WE UNDERSTAND SNTR PLANS STEP UP CURRENT THREE-TRUCK
CONVOYS TO TEN TRUCKS PER DEPARTURE. IT OUR UNDERSTANDING
THAT STUDIES AND PLANNING FOR TRANS-SAHARAN ROUTE BEGAN
TWO YEARS AGO.

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ACTION XMB-04

INFO OCT-01 NEA-10 ISO-00 EB-08 COME-00 TRSE-00 OMB-01
AID-05 CIAE-00 INR-07 NSAE-00 PM-04 MC-02 DODE-00
/042 W
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6. IN EMBASSY'S OPINION THESE TRUCKS NOT RPT NOT
INTENDED FOR MILITARY USE. AS STATED PARA THREE ABOVE,
CIVILIAN SECTOR HAS EASILY DEMONSTRABLE NEED FOR MORE
THAN NUMBER TRUCKS IN QUESTION. THIS OF COURSE DOES
NOT PRECLUDE POSSIBILITY OF ARMY COMMANDEERING TRUCKS
IN FUTURE IN EVENT UNFORESEEN CIRCUMSTANCES.

7. WE DO NOT CONSIDER IT APPROPRIATE TO ASK FOR
LAST THREE YEARS' FINANCIAL STATEMENTS ON SNTR.
FURTHER, WE DO NOT REALLY BELIEVE IT RELEVANT IN THE
CASE OF A STATE CORPORATION WHOSE CREDIT IS AS GOOD
(OR AS BAD) AS THAT OF THE STATE ITSELF. ALSO, WE
UNDERSTAND THAT REPAYMENT WILL BE GUARANTEED BY THE
ALGERIAN DEVELOPMENT BANK.

8. IN SUM, EMBASSY SUPPORTS PROPOSED KENWORTH SALE;
WE BELIEVE THAT THIS IS NOT UNUSUALLY LARGE NUMBER OF
TRUCKS FOR SNTR TO BE BUYING, AND WE BELIEVE DEVELOPMENTAL
ASPECTS FOR ALGERIA (AND PERHAPS NIGER, MALI AND NIGERIA
AS WELL), IN NEARLY ALL SECTORS INCLUDING PETROLEUM,
PLUS POTENTIAL IMPACT ON US FIRMS (MANY OF WHICH
SUPPORTED BY EXIM) SHOULD BE GIVEN FULL CONSIDERATION
BY EXIM IN REACHING ITS DECISION.LYNE

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Message Attributes

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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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